



# SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar  
Nr. Amrapali Railway Crossing  
Raiya Road, Rajkot – 360001  
Ph. No–(0281)2471645

2 – Vaishalinagar  
Nr. Amrapali Railway Crossing  
Raiya Road, Rajkot - 360001  
Ph.No–(0281)2440478, 2472590

PRELIMS PAPER 2022-23

BBA SEM 4

SUBJECT: CORPORATE FINANCE

MARKS: 70

**Q.1** Ankita Ltd. thinks to launch a project. For this, two alternative plans are available:

For each plan initial investment will be Rs. 7,50,000. Project's life is five years. Depreciation is calculated at straight line method and rate of taxation is 50%. Annual cash flow (before deduction of depreciation and taxation) will be as under:

| Years | Plan – 1 (Rs.) | Plan – 2(Rs.) |
|-------|----------------|---------------|
| 1     | 3,00,000       | 3,75,000      |
| 2     | 3,00,000       | 3,75,000      |
| 3     | 3,00,000       | 3,00,000      |
| 4     | 3,00,000       | 3,00,000      |
| 5     | 3,00,000       | 1,50,000      |

Evaluate both the project plans on the basis of following methods:

1. Pay-back period method
2. Average rate of return method.
3. Net Present value method.
4. Profitability Index Method.

Present value for the first five years at the rate of 10% discount for Re. 1 is 0.909, 0.826, 0.751, 0.683, 0.621 respectively. **(20 Marks)**

**OR**

**Q. 1** What is Capital Budgeting ? Discuss importance of vapital budgeting. Explain Pay-bavk period method & Internal Rate of Return Method. **(20 Marks)**

**Q. 2** What is working capital? Explain clearly various concepts of working capital. Describe the factors affecting working capital requirements. **(20 Marks)**

**OR**

**Q. 2** What is working capital? Discuss in detail types and characteristics of working capital. **(20 Marks)**

**Q. 3(A)** From the following data, calculate (a) Re-order Level, (b) Minimum Level and (c) Maximum Level & (d) Safety level **(5 Marks)**

|                     |                      |
|---------------------|----------------------|
| Ordering Quantity   | 36,000 Units         |
| Re-ordering period  | 3 – 5 Weeks          |
| Normal Consumption  | 6,000 Units per Week |
| Minimum Consumption | 3,000 Unit per Week  |
| Maximum Consumption | 9,000 Units per Week |

**Q. 3 (B)** Write a note on: Motives for holding cash.

**(5 Marks)**

**Q. 3 (C)** Write a note on: Importance of receivable Management.

**(5 Marks)**

**OR**

**Q. 3 Write Note on:**

**(15 Marks)**

- (1) ABC technique of inventory management
- (2) Significance of cash management
- (3) Determination of optimum credit policy

**Q. 4** What is a dividend policy? What factors are to be considered before determining the policy? **(15 Marks)**

**OR**

**Q. 4**

(A) What is stable dividend policy? Give the advantages & limitations of a stable dividend policy. **(10 Marks)**

(B) Explain various forms of dividend.

**(5 Marks)**

**BEST OF LUCK**